

Part 1

Section 809.-- Reduction in Certain Deductions of Mutual Life Insurance Companies

26 CFR 1.809-9: Computation of the differential earnings rate and the recomputed differential earnings rate.

Rev. Rul. 2006-45

This revenue ruling contains a determination under ' 809 of the Internal Revenue Code of the "recomputed differential earnings rate" for 2004. This rate is used by mutual life insurance companies to calculate their federal income tax liability for taxable years beginning in 2005. Notice 2006-18, 2006-8 I.R.B. 502, contained a tentative determination of this rate.

The Job Creation and Worker Assistance Act of 2002, Pub. L. 107-147, § 611, amended § 809 by adding new paragraph (j). Section § 809 (j) provides that the differential earnings rate shall be treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount for a mutual life insurance company's taxable years beginning in 2001, 2002, or 2003. See Notice 2002-33, 2002-1 C.B. 989. Subsequently, the Pension Funding Equity Act of 2004, Pub. L. 108-218, § 205, repealed § 809 of the Code for

taxable years beginning after December 31, 2004. Therefore, the Internal Revenue Service is required to determine a differential earnings rate for 2004 and a recomputed differential earnings rate for 2004. The differential earnings rate for 2004 was zero. See Rev. Rul. 2005-58, 2005-36 I.R.B. 465.

The final determination of the rates is set forth in Table 1.

Rev. Rul. 2006-45 Table 1	
Determination of Rates To Be Used For Taxable Years Beginning in 2005	
Recomputed Differential earnings rate for 2004	0
Imputed earnings rate for 2004	4.449
Base period stock earnings rate	18.221
Current stock earnings rate for 2004	4.913
Stock earnings rate for 2001	2.354
Stock earnings rate for 2002	-1.876
Stock earnings rate for 2003	14.261
Average mutual earnings rate for 2004	10.450

For additional background concerning the recomputed differential earnings rate, see Rev. Rul. 2001-33, 2001-2 C.B. 118.

DRAFTING INFORMATION

The principal author of this revenue ruling is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Ms. Hossofsky on (202) 622-8435 (not a toll-free call).